



MULTNOMAHGROUP

Investment Performance Review

Capital Markets Review

As of 9/30/2017

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Market Commentary

Continued GDP Growth in Late Stage Economic Expansion

- Real GDP grew at an annualized rate of 3.1% in Q2 (most recent available), slightly better than initially expected; the current economic expansion is in its 9th year, the 3rd longest expansion since the Civil War; Hurricanes Harvey and Irma will have a negative impact on Q3 GDP
- Core CPI, which strips out food and energy prices, remained unchanged at 1.7% in August; this is substantially below its 50-year average of 4.1%
- The unemployment rate dropped to 4.2% in September, with 2.9% wage growth; 33,000 jobs were lost, skewed by the impact of the hurricanes
- U.S. factory activity hit a 13-year high in September given strong gains in new orders and raw material prices
- Consumer spending, which makes up over two thirds of the U.S. economy, grew 3.3% in Q2 (most recent available), the fastest in a year

The Fed's Balance Sheet Reduction is Coming

- The Fed plans to reduce its bond holdings at a measured pace over the course of several years; this follows the expansion of its balance sheet by 500% to \$4.2 trillion over the past decade as the Fed initiated quantitative easing to support the markets after the Financial Crisis of 2008
- The Fed has not raised rates since June 2017; the June rate hike was the fourth rate increase since December 2015
- 10- and 30-year Treasury bond yields increased modestly to 2.3% and 2.9% during the quarter
- Developed international and emerging markets fixed income returned 2.5% and 2.4%, respectively, in Q3
- High yield bonds reported strong returns at 1.8% for Q3; yield decreased modestly to 5.5% during the quarter

The S&P 500 Continues to Climb Despite Political & Geopolitical Risks

- The U.S. stock market continued to rally with the S&P 500 gaining 4.5% in Q3 and 14.2% year-to-date
- The largest sector gains in the S&P 500 during Q3 were technology and energy, increasing 8.7% and 6.8%, respectively
- The consumer staples sector was the only sector to decline in Q3, down 1.4% for the period
- The forward P/E for the S&P 500 inched up for Q3 to 17.7x, versus a 25-year average of 16.0x
- Small cap stocks outperformed large caps in Q3, a reversal from Q2; growth outperformed value for the quarter
- The CBOE Volatility Index (VIX Index) remained low through Q3, potentially setting the market up for disappointment

Emerging Markets Remain in the Spotlight

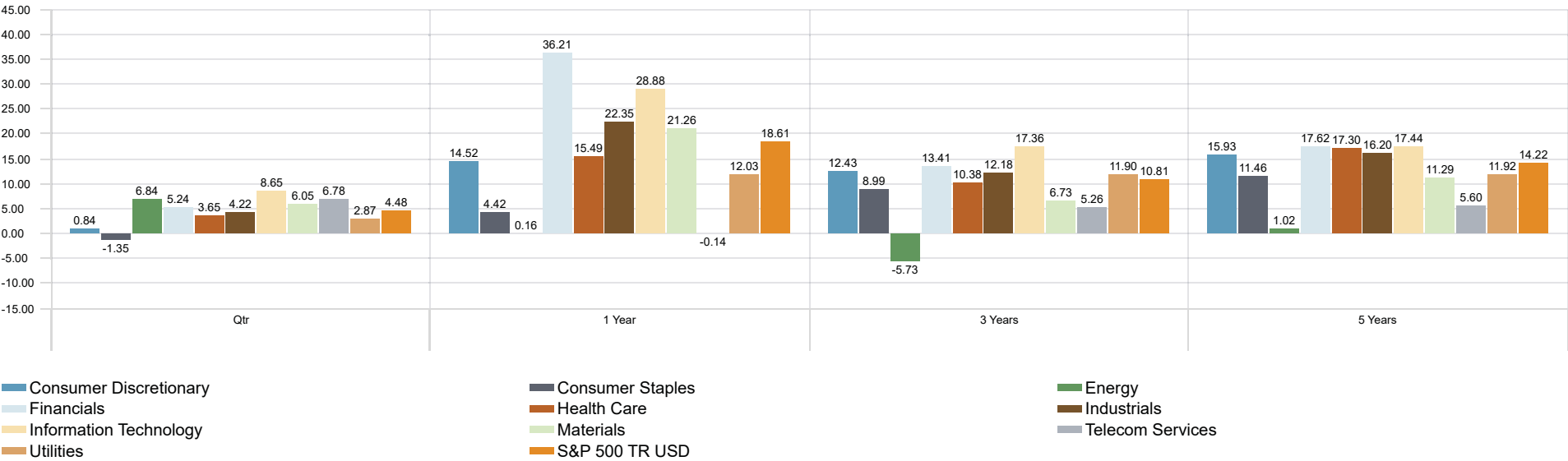
- The emerging markets (EM) sector continued to rally strong, gaining 8.0% in Q3 helped by Latin America (up 15.1%) and EM Asia (up 7.2%)
- China was the strongest market in Emerging Asia for Q3 increasing 14.7%; year-to-date returns were very strong at 43.2%
- Developed Europe (ex-UK) gained 7.0% for Q3; UK returns were lower at 5.2%
- In Developed Asia, Hong Kong and Japan gained 5.1% and 4.1%, respectively, during Q3

The Commodity Index Improved Modestly in Q3

- The Bloomberg Commodity Index gained 2.3% during Q3, but remained the worst performing asset class for year-to-date
- U.S. crude oil prices jumped 12.3% in Q3, finishing at \$51.67 per barrel; despite the rebound, oil prices remained down 3.8% for year-to-date
- Gold prices increased 3.4% in Q3 finishing the quarter at \$1,284 per troy ounce
- REITs gained 0.6% in Q3 and 6.0% for year-to-date; net operating income growth for U.S. real estate was up 5.2% for Q2 (most recent available)

U.S. Equity Markets

Returns by Sector (S&P 500)



Returns by Style (Russell Indices)

Last Quarter

	Value	Blend	Growth
Large	3.58	4.88	6.10
Mid	2.14	3.47	5.28
Small	5.11	5.67	6.22

Last 1 Year

	Value	Blend	Growth
Large	15.95	19.84	23.39
Mid	13.37	15.32	17.82
Small	20.55	20.74	20.98

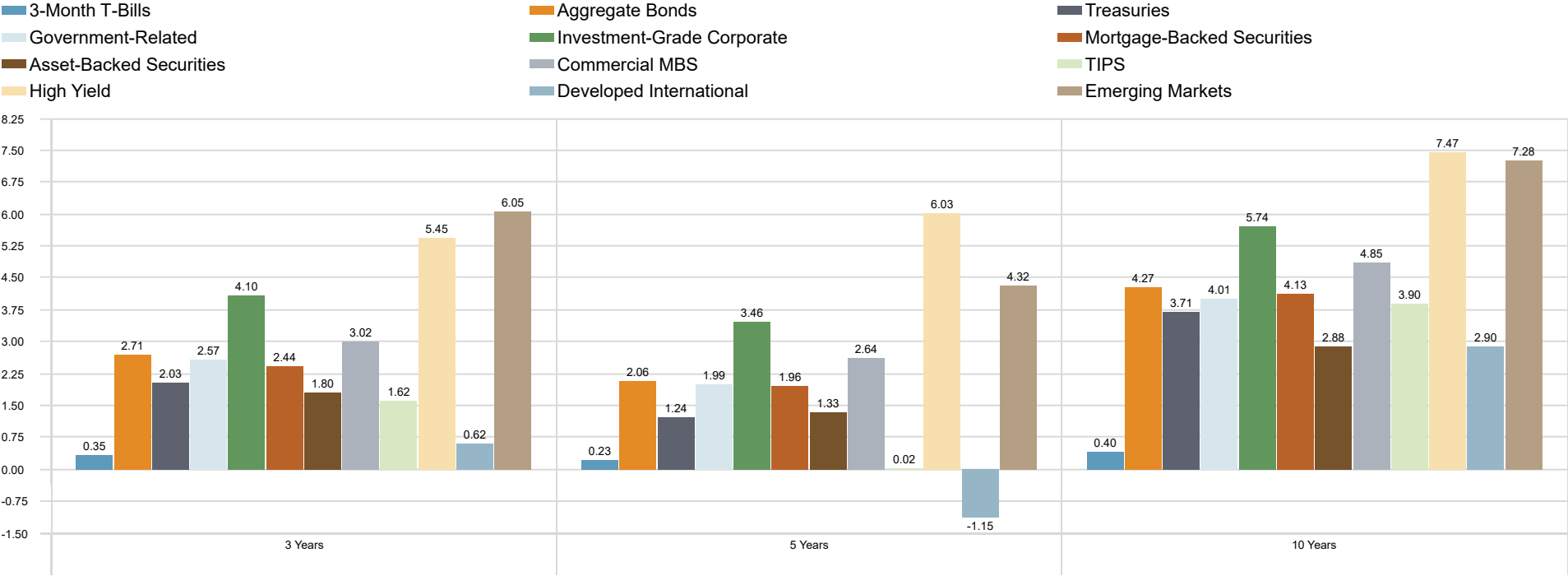
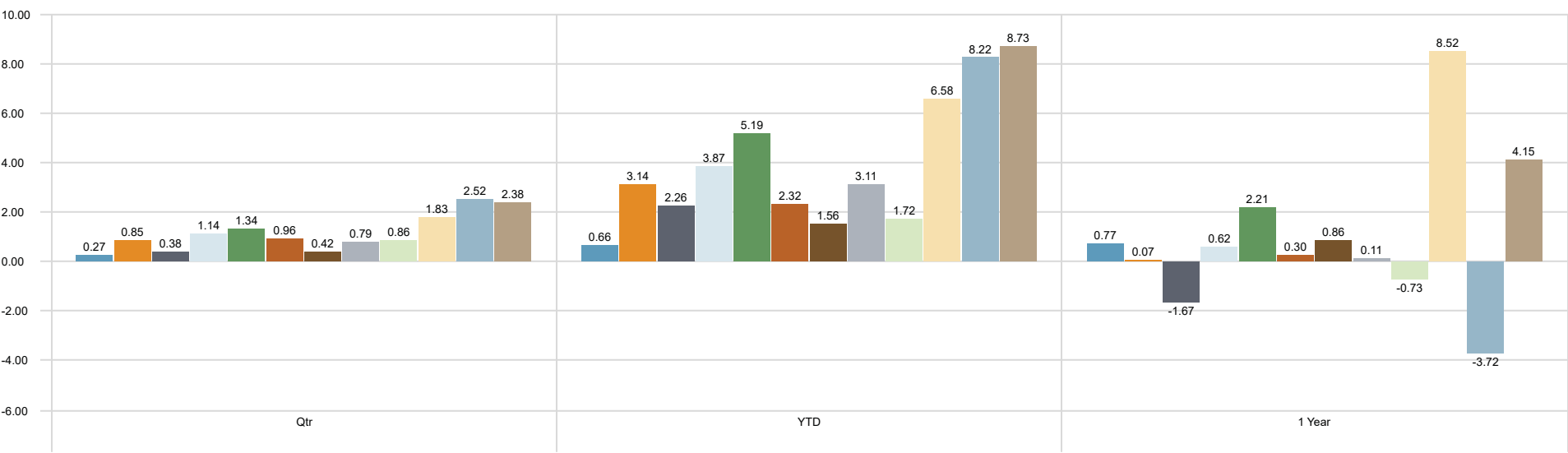
Last 3 Years

	Value	Blend	Growth
Large	8.26	11.06	13.73
Mid	9.19	9.54	9.96
Small	12.12	12.18	12.17

Last 5 Years

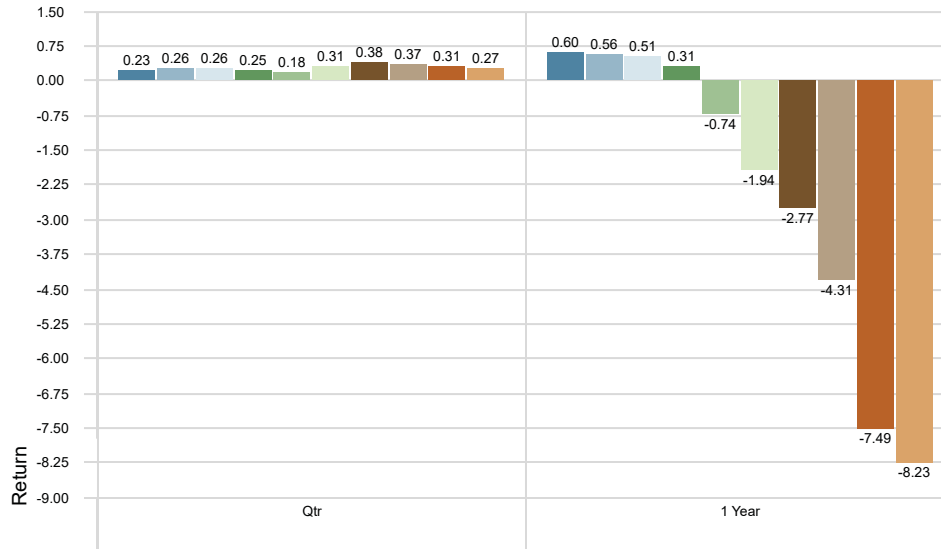
	Value	Blend	Growth
Large	12.72	14.26	15.69
Mid	14.33	14.26	14.18
Small	13.27	13.79	14.28

Fixed Income



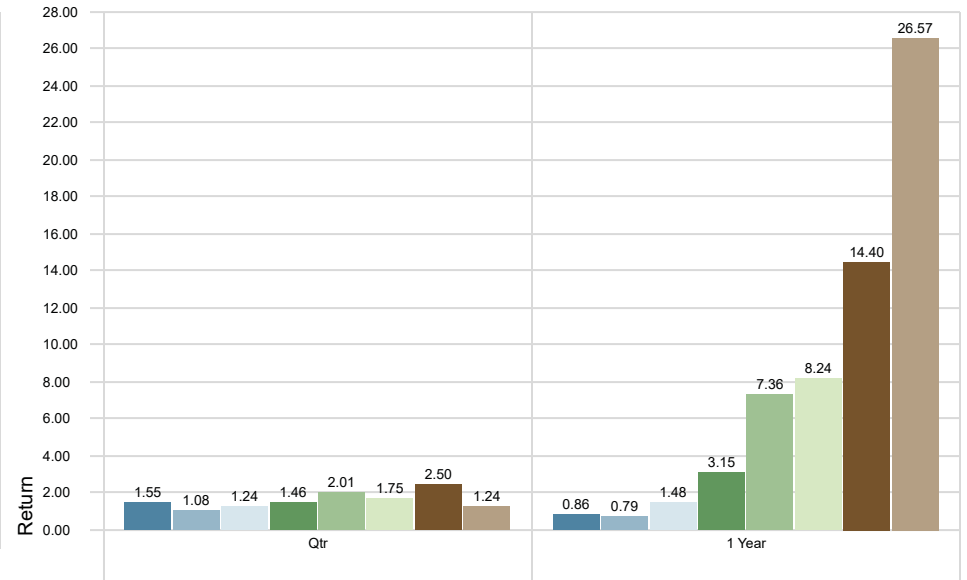
Fixed Income

Performance by Maturity



■ USTREAS T-Bill Cnst Mat Rate 1 Mon ■ USTREAS T-Bill Cnst Mat Rate 3 Mon ■ USTREAS T-Bill Cnst Mat Rate 6 Mon
 ■ USTREAS T-Bill Cnst Mat Rate 1 Yr ■ USTREAS T-Bill Cnst Mat Rate 3 Yr ■ USTREAS T-Bill Cnst Mat Rate 5 Yr
 ■ USTREAS T-Bill Cnst Mat Rate 7 Yr ■ USTREAS T-Bill Cnst Mat Rate 10 Yr ■ USTREAS T-Bill Cnst Mat Rate 20 Yr
 ■ USTREAS T-Bill Cnst Mat Rate 30 Yr

Performance by Credit Quality



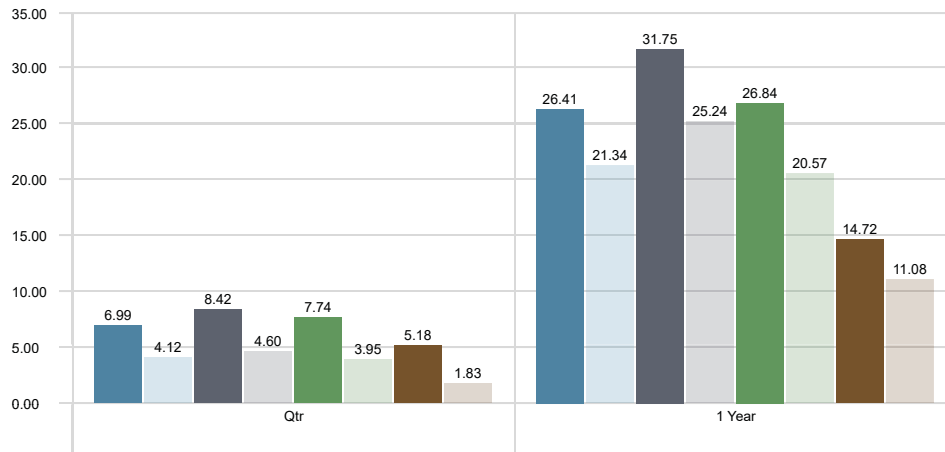
■ Barclays US Corp Aaa TR USD ■ Barclays US Corp Aa TR USD ■ Barclays US Corp A TR USD
 ■ Barclays US Corp Baa TR USD ■ Barclays US HY Ba TR USD ■ Barclays US HY B TR USD
 ■ Barclays US HY Caa TR USD ■ Barclays US HY Ca To D TR USD

Estimated Cost of \$1 of Lifetime Retirement Income at Age 65 (Adjusted for Cost of Living)

	BlackRock CoRI Retirement 2006	BlackRock CoRI Retirement 2008	BlackRock CoRI Retirement 2010	BlackRock CoRI Retirement 2012	BlackRock CoRI Retirement 2014	BlackRock CoRI Retirement 2016	BlackRock CoRI Retirement 2018	BlackRock CoRI Retirement 2020	BlackRock CoRI Retirement 2022	BlackRock CoRI Retirement 2024
9/29/2017		\$ 15.34	\$ 16.63	\$ 17.90	\$ 19.17	\$ 20.40	\$ 21.38	\$ 20.03	\$ 18.78	\$ 17.64
6/30/2017		\$ 15.53	\$ 16.81	\$ 18.06	\$ 19.29	\$ 20.58	\$ 21.18	\$ 19.82	\$ 18.56	\$ 17.44
3/31/2017		\$ 15.45	\$ 16.68	\$ 17.90	\$ 19.09	\$ 20.27	\$ 20.51	\$ 19.09	\$ 17.73	\$ 16.55
12/30/2016		\$ 15.61	\$ 16.84	\$ 18.06	\$ 19.28	\$ 20.46	\$ 20.27	\$ 18.84	\$ 17.48	\$ 16.29
12/31/2015	\$ 14.68	\$ 15.88	\$ 17.07	\$ 18.23	\$ 19.37	\$ 20.71	\$ 19.41	\$ 18.01	\$ 16.66	\$ 15.40
9/30/2015	\$ 15.20	\$ 16.45	\$ 17.69	\$ 18.93	\$ 20.14	\$ 20.91	\$ 19.62	\$ 18.17	\$ 16.78	\$ 15.56
6/30/2015	\$ 15.07	\$ 16.28	\$ 17.47	\$ 18.63	\$ 19.82	\$ 20.17	\$ 18.83	\$ 17.36	\$ 16.04	\$ 14.88

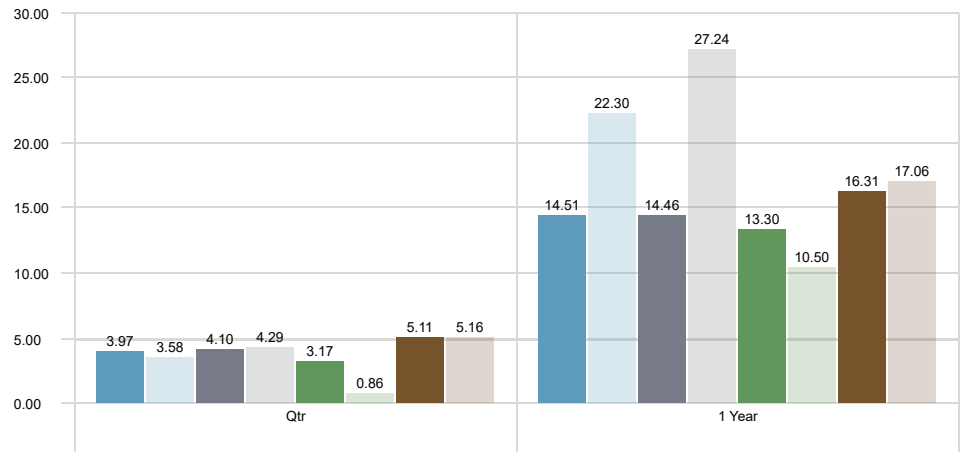
International Equity Markets

Developed Europe



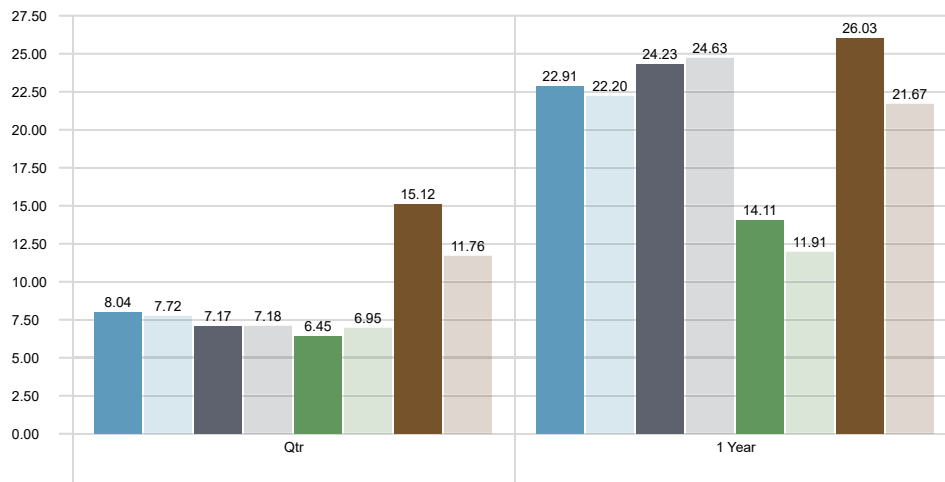
■ Europe ex UK (USD) ■ Europe ex UK (Local) ■ France (USD) ■ France (Local)
 ■ Germany (USD) ■ Germany (Local) ■ United Kingdom (USD) ■ United Kingdom (Local)

Developed Asia



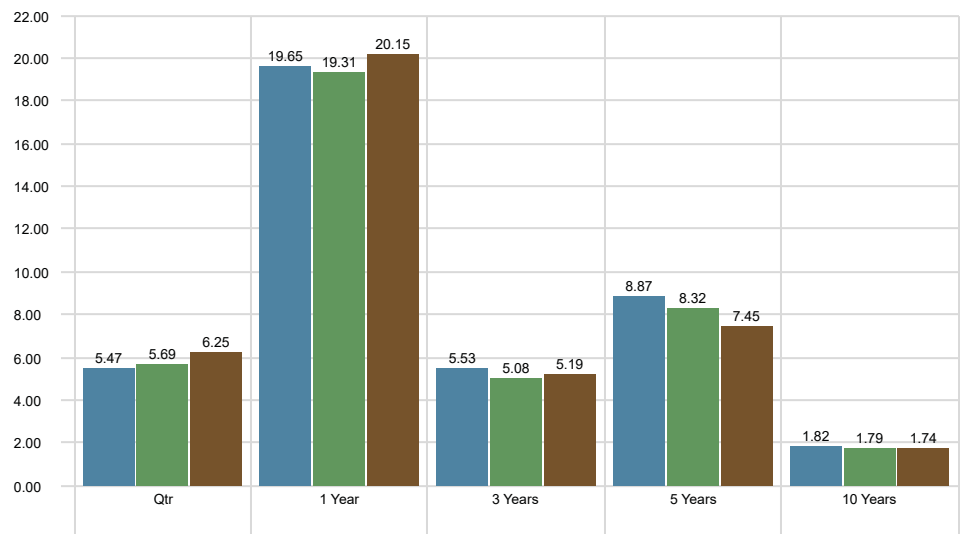
■ Pacific (USD) ■ Pacific (Local) ■ Japan (USD) ■ Japan (Local)
 ■ Australia (USD) ■ Australia (Local) ■ Hong Kong (USD) ■ Hong Kong (Local)

Emerging Markets



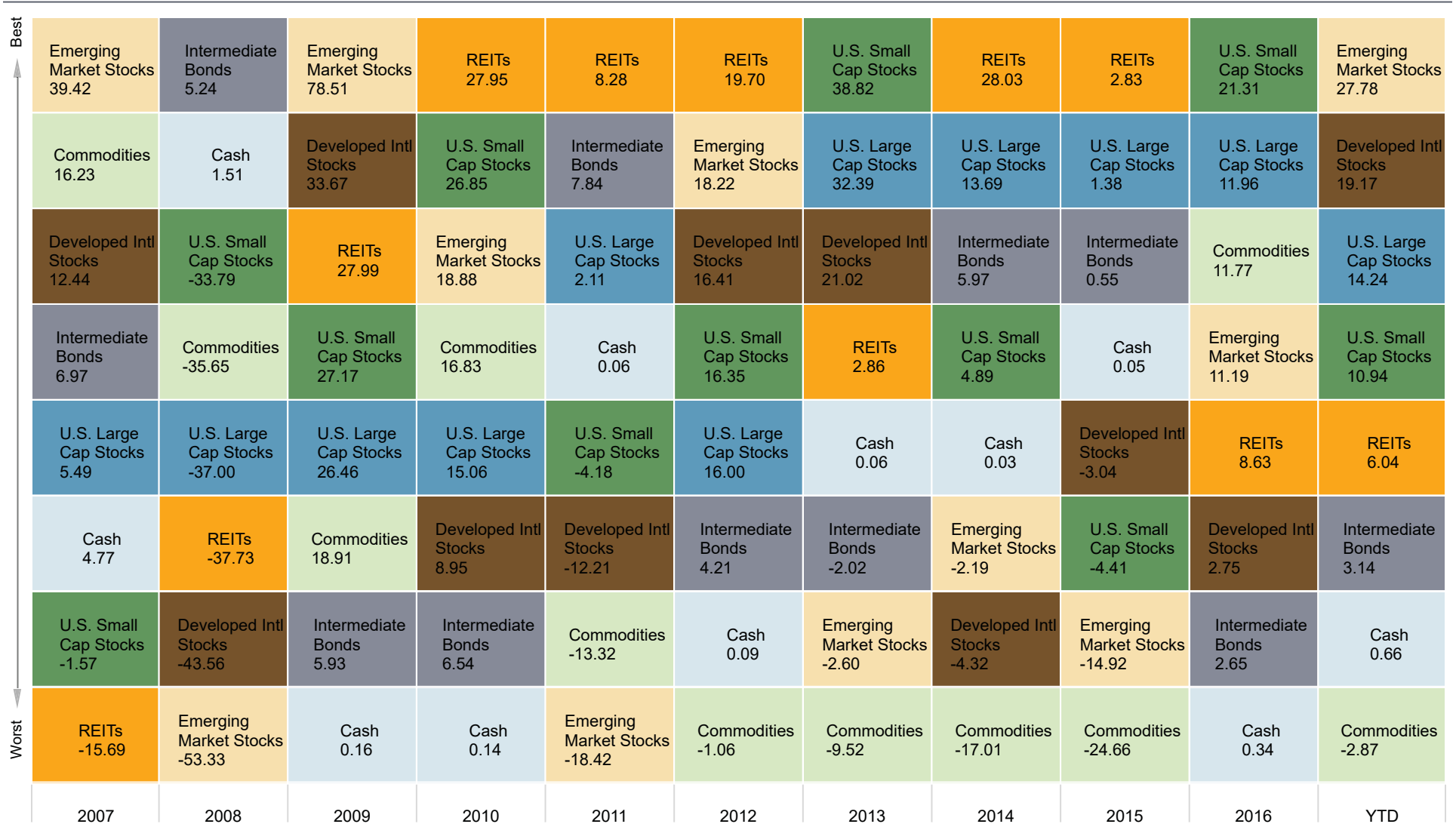
■ Emerging Markets (USD) ■ Emerging Markets (Local) ■ Asia (USD) ■ Asia (Local)
 ■ Europe, Middle East & Africa (USD) ■ Europe, Middle East & Africa (Local) ■ Latin America (USD) ■ Latin America (Local)

International Benchmarks



■ EAFE ■ World ex USA (Developed) ■ ACWI ex USA (Developed & Emerging)

Unpredictability of Asset Class Returns



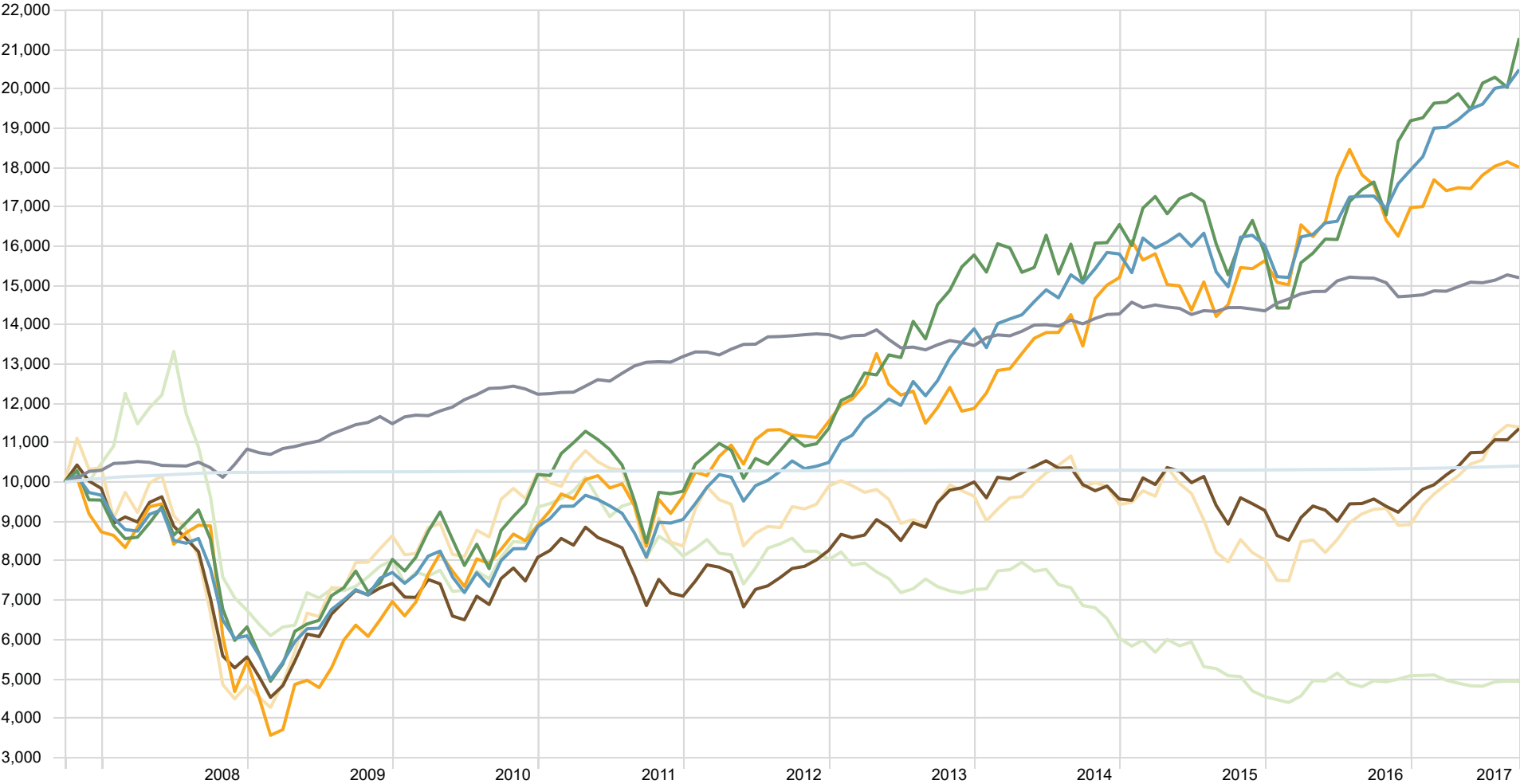
■ Cash
■ U.S. Small Cap Stocks
■ Emerging Market Stocks

■ Intermediate Bonds
■ REITs
■ Commodities

■ U.S. Large Cap Stocks
■ Developed Intl Stocks

Growth of \$10,000

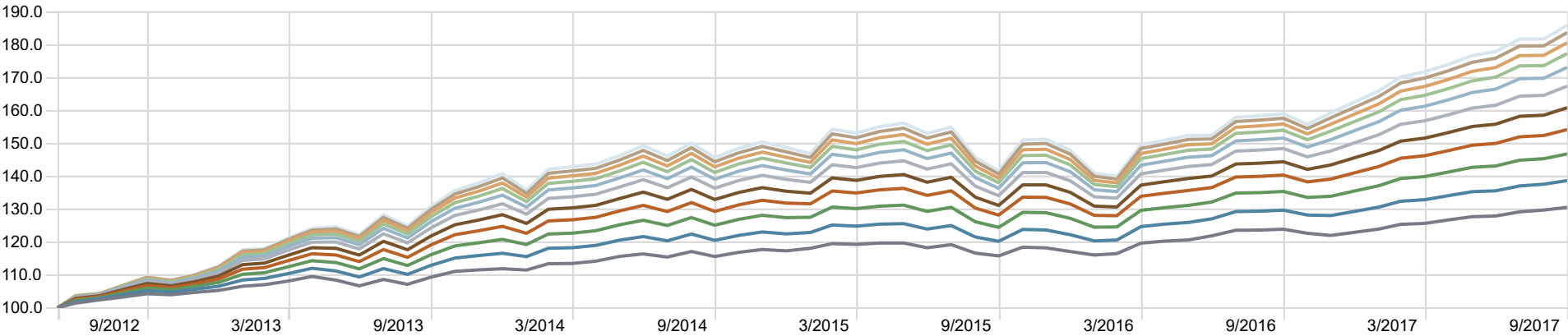
Time Period: 10/1/2007 to 9/30/2017



Cash	10,408.13	Intermediate Bonds	15,196.08	U.S. Large Cap Stocks	20,488.44
U.S. Small Cap Stocks	21,287.46	REITs	18,003.37	Developed Intl Stocks	11,361.37
Emerging Market Stocks	11,398.27	Commodities	4,931.45		

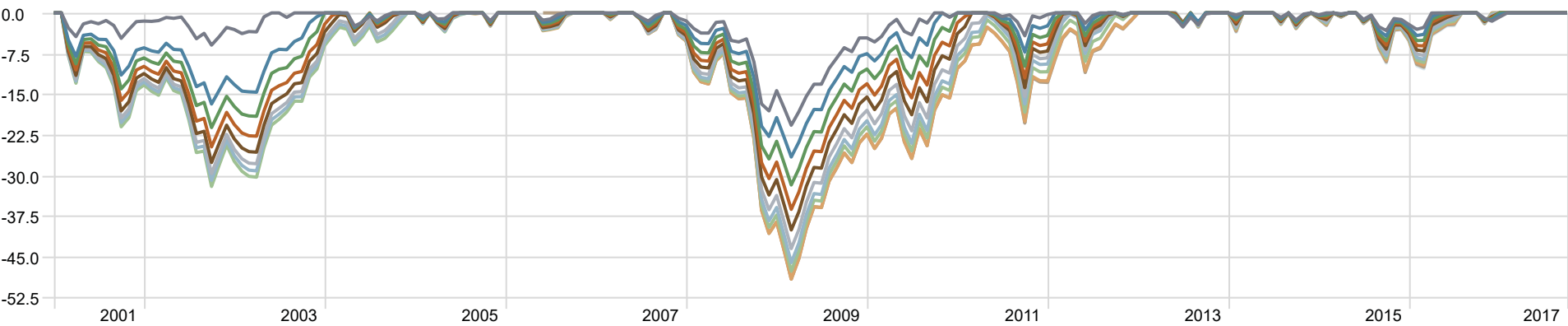
Target Date Investments

Growth of \$100



S&P Target Date Retirement Income TR USD	130.6	S&P Target Date 2010 TR USD	154.2	S&P Target Date 2020 TR USD	173.2	S&P Target Date 2035 TR USD	183.8	S&P Target Date 2050 TR USD	138.7	S&P Target Date 2055+ TR USD	146.8
S&P Target Date 2025 TR USD	160.9	S&P Target Date 2040 TR USD	177.4	S&P Target Date 2045 TR USD	186.0						

Maximum Drawdown



S&P Target Date Retirement Income TR USD	S&P Target Date 2010 TR USD	S&P Target Date 2015 TR USD
S&P Target Date 2020 TR USD	S&P Target Date 2025 TR USD	S&P Target Date 2030 TR USD
S&P Target Date 2035 TR USD	S&P Target Date 2040 TR USD	S&P Target Date 2045 TR USD
S&P Target Date 2050 TR USD	S&P Target Date 2055+ TR USD	